

On Hold

Fifth District Call Centers Are Shedding Workers Due to Technological Improvements and Globalization

BY CHARLES GERENA

In the late 1980s, the owner of several Domino's Pizza franchises in Richmond, Va., decided to try something different. Instead of placing their orders for pepperoni and onion pies at the Domino's around the corner, customers throughout the city dialed a single phone number. Telephone agents at a central facility took orders, then transmitted them to the branch location closest to the customer.

Such facilities, known as call centers in the teleservices industry, established a major presence in the Fifth District during the last decade, clustering in places like Greensboro, N.C., Huntington, W.Va., and Virginia Beach, Va. ReferenceUSA's database lists nearly 250 telemarketing bureaus in the region, while the U.S. Census Bureau counted more than 400 telephone call centers in 1998.

Call centers found the affordable and available labor they needed in Fifth District communities, as well as access to communication lines and office space. In turn, they often provided the economic benefits sought by local

development officials. But in the last few years, the teleservices industry has slowed its expansion in the United States and chased cheaper costs abroad.

If this story sounds familiar, it's because textile makers and other manufacturers have done the same thing. They moved into the region to utilize its labor supply and other advantages, but employment levels eventually began a steady decline in response to pressures from abroad and domestic changes in technology use and labor utilization.

Will teleservices answer the same call? "In the last 20 years, the industry has certainly gotten more mature," says Tim Searcy, executive director of the American Teleservices Association (ATA). "It does a much better job of targeting customers [and] picking sites for [call centers] ... Technology continues to make us more efficient." In addition, Searcy foresees less demand for American telephone agents due to the increased use of offshore workers and an overall drop in telemarketing business once the National Do Not Call Registry is enforced.

Telemarketing may be the most infamous sector of the teleservices industry, but call centers handle a variety of back-office functions. These functions fall under two categories—inbound, where telephone agents process calls from customers, and outbound, where agents initiate the calls. The inbound side of the industry encompasses tasks like customer service and support, travel reservations, and catalog order processing. The outbound side includes polling and market research, fund-raising, collections, and telemarketing.

Toll-free customer service and telephone sales have been around for decades, but it wasn't until the 1990s that teleservices emerged from the back office to the front burner of business plans.

According to Brad Cleveland, a teleservices consultant, companies realized they could gather valuable information from customers' phone calls for use in market research, new product development or cross marketing. "The call center is an intelligence machine," describes Cleveland, president and CEO

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of the Incoming Calls Management Institute (ICMI) in Annapolis, Md.

At the same time, better technology enabled telephone agents to do more for callers, meeting consumer demand for convenience and speed. "Call centers are learning to do a lot more than just handle a bunch of contacts," notes Cleveland. "[Agents] have at their fingertips access to information in real time that they didn't use to have. You don't have to have a 'back-and-forth' over a certain number of days or hours."

Most companies operate call centers in-house. Sometimes they have small groups of agents working at different offices, while others with a large call volume have facilities dedicated to tele-services. In order to reduce their overhead and have more flexibility, some firms have outsourced teleservices to contractors with their own facilities.

With the growth in teleservices during the 1990s, call centers sprung up nationwide. In the past, they had to locate near a company's customer base in order to minimize communications costs, according to Cleveland. But distance became a non-

issue due to the rapid deployment of long-haul telecommunications networks.

A more important consideration for a call center operator has been finding a place that can satisfy its appetite for workers. Telephone agents need to be educated and good communicators, but such qualities can be hard to find in the quantities necessary to run a call center.

"The call center may have to be staffed 24 hours a day, and thus require a supply of labor sufficiently plentiful to operate different shifts," wrote Randal Richardson and Andrew Gillespie of Britain's Centre for Urban and Regional Development Studies in a 2003 article.

Also, the center must be able to fill vacancies, which can occur with alarming frequency. "Despite the importance of employee satisfaction, the turnover rate in call centers is higher than most other departments in a company," noted a 2002 white paper by the Purdue Research Foundation and two partner organizations. "The average annual industry rate is around 25 percent, and in some call centers this rate can be between 100 and 150 percent per year."

Besides the quantity and quality of a community's work force, the cost of labor must be affordable. That's because it typically accounts for 60 to 70 percent of a call center's operating budget, according to the Purdue report.

In order to keep a lid on labor expenses, call center operators have shunned locations with high costs of living because workers in such locations tend to demand higher wages. In a low-cost community, however, a call center can afford to offer competitive wages.

Rural towns like Norton, Va., small cities like Huntington, and mid-sized metropolitan areas such as the Piedmont Triad in North Carolina have all attracted call centers because they had one thing in common—there was less competition for workers and lower costs compared to larger urban areas.

Finally, some call center operators have tried to match seasonal changes in their labor demand with the seasonality of local labor markets. For example, the tourism component of the job market in Virginia Beach enables

Lillian Vernon Corp. to boost employment at its call center from 175 telephone agents to 1,100 during its busy season from September to December. "During the warm weather months, a lot of our employees work in the tourism sector and in the cold weather months they work for [us]," describes David Hochberg, vice president of public affairs at the New York-based catalog retailer.

Labor demand at call centers also fluctuates unexpectedly. For instance, Hamilton Holloway, spokesperson for Capital One Financial Corp., says the McLean, Va., company launched a new product last summer that was more successful than it anticipated—a credit card with a fixed interest rate below 5 percent. So, it shifted some of the additional call volume at its centers in Richmond, Fredericksburg, Va., and two other states to outsourcers.

In general, determining the appropriate number of agents to have on hand "is a very difficult task," notes Holloway. Therefore, call center operators prefer a work force where some laborers are available on demand. For example, Lillian Vernon and GEICO Corp. located centers in the Hampton Roads region of southeastern Virginia to take advantage of the 40,000 military spouses in the region looking for part-time work. Other companies opened centers near military installations and college towns, where students also seek part-time jobs.

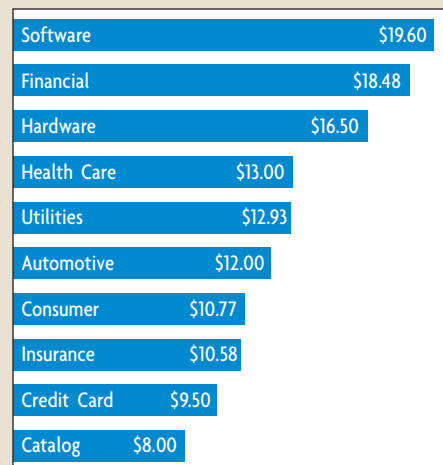
Economic development officials in some of these Fifth District communities actively recruited call centers and other back-office operations. Their goals were threefold—to increase employment, diversify the local economy, and support wage growth.

Certainly, large call centers have been major employers. GEICO staffs 2,000 workers at its call center in Virginia Beach and 3,500 workers at its center in Fredericksburg. APAC Customer Service employed as many as 1,000 people at its telemarketing office in Columbia, S.C., before shutting it down in December 2002. Typically, however, the employment effect is smaller. According to the ATA's Tom

Not All Call Centers Pay the Same

Because they handle technical and complicated customer calls, telephone agents who work for software, hardware, and financial services companies earn the highest hourly wages. Those who do more basic tasks for credit card and catalog companies tend to earn much less.

Hourly Wages of Telephone Agents in Different Industries



SOURCE: Center for Customer Driven Quality, Purdue University

Searcy, the median size for a call center is 100 stations staffed by 150 to 200 telephone agents.

Some call centers house information technology personnel, call management specialists, and other employees in addition to telephone agents. This population of professionals can broaden the employment base.

However, most call centers offer little chance for advancement. "Promotion from basic grade to supervisory level may well be more rapid than in other sectors," note Richardson and Gillespie. "Promotion to management grade in the call center is, however, likely to be more difficult. This is partly because there are few management positions, but also because call centers based in less favored regions are likely to be dominated by inward investors. Managers are likely to be 'parachuted' in."

According to a 2002 survey of call centers, the average starting wage for an entry-level telephone agent was \$12.20 an hour or \$25,575 a year. But wage levels vary according to the type of center. Some centers perform primarily outbound calls, mostly telemarketing. They usually provide entry-level work, but on the low end of the wage scale. In contrast, inbound call centers, which usually provide customer service and support, are more technologically sophisticated in nature. Therefore, they tend to require technical training and pay higher wages.

Judy Rose says that the first call centers in Huntington offered minimum-wage work, but that changed as the types of centers coming to the city changed. "The level of skills that these companies required and the level of pay they offered improved over time," recalls Rose, Huntington's former economic development director. "People with just a high-school diploma [moved] from a retail position to a job where they [were] sitting down, working in front of a computer, and learning communication skills."

Entry-level work isn't as common today at inbound call centers, though. "There are inbound call centers that are still on the simple end of the spectrum [such as] directory information," notes Brad Cleveland at ICMI. "But

the overwhelming trend is towards a more complex environment."

In manufacturing, the skills required by workers tends to decrease as machinery gets more sophisticated and production processes become more streamlined. But in the teleservices industry, technological improvements have resulted in greater demands on the skills of telephone agents. Basic transactions and inquiries can be handled by web sites and automated systems like Interactive Voice Response, which enables users to input information on a telephone keypad or by voice. This leaves agents with the tougher calls to handle. "When customers do need to call a call center, it is generally because they couldn't accomplish something through ... other means," says Cleveland.

Technological advances have not only required smarter workers in the teleservices industry, they have also helped reduce the need for labor. Sears, Roebuck and Co. eliminated more than 200 call center positions in Greensboro last March. Capital One closed its Fredericksburg center last December that had employed 1,300 people at its peak.

In general, the teleservices industry is reaching a mature stage in its development. Bill Sims, vice president of investor relations for SITEL Corp., says the Baltimore-based provider of teleservices has grown to a size where it is harder to increase sales at the same rapid pace. "The big guys have slowed down from the heyday when we were doing 25 to 40 percent growth per year."

Since call center operators already have eliminated a lot of their costs through automation and Web-based services, they have slowed new development and turned to improving the efficiency of existing operations. Some companies have closed or downsized their centers, while others have followed the same path as some manufacturers and moved their operations overseas. Countries like India and the Philippines have quality laborers who are willing to accept lower wages than Americans to work the telephone.

Recently, Canada has become a favorable call center location due to its proximity to the United States, its large

population of English-speaking workers, and lower labor costs. Mexico is seen as another teleservices hotspot for companies that need Spanish-language telephone agents.

Employment levels in the teleservices industry also have been affected by the overall economy. The recession and uneven recovery have eroded demand for outsourcers that provide teleservices. And some users of teleservices have retrenched more severely. They include telecommunications providers (NTelos shut down its center in Portsmouth, Va., in 2003), and travel and hospitality companies (InterContinental Hotels Group closed its call center in Cary, N.C., last year).

But teleservices executives are optimistic, pointing out that overall spending on call centers is still growing, albeit at a slower pace, while certain sectors like financial services are growing their facilities. Bank of America, for instance, increased the labor force at its High Point, N.C., center from 1,500 to 1,850 last year. Cleveland says this reflects a fundamental trend in the national economy—the growing use of information. "Knowledge isn't useable unless you can get to it when you need it. Call centers are a big part of that, allowing consumers to pick up the phone when they need services."

The only question is how many agents will be answering and making telephone calls from the United States in the future.

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